

**ANNUAL REPORT  
TO  
THE DENALI COMMISSION**

**From**

**ALASKA GROWTH CAPITAL BIDCO, INC.**

**For the year Ended  
December 31, 2006**

A L A S K A  
Growth  Capital

## 2006 COMPANY OVERVIEW

Alaska Growth Capital has two Financial Assistance Awards and this report addresses our performance against the performance measures of both of those agreements in total.

In 2006 Alaska Growth Capital (AGC) continued its mission to promote rural economic development. Total financing volume for 2006 was \$44,833,489.

AGC achieved the highest performance level - “Outstanding” - for six out of six performance measures.

### Financing volume

Although the total amount of financing disbursements to businesses in communities classified as “Distressed” by the Denali Commission was \$8,171,000, the total amount of financing to all rural communities was greater than this amount at \$18,561,000. Total financing volume for 2006 by market segment is summarized below:

|                         | <b>Total amount</b> | <b>Rural (off road system)</b> | <b>To Minority businesses</b> | <b>To "distressed" communities</b> |
|-------------------------|---------------------|--------------------------------|-------------------------------|------------------------------------|
| <b>Total Financings</b> | \$44,833,489        | \$18,561,000                   | \$15,855,000                  | \$8,171,000                        |
|                         | 100%                | 41%                            | 35%                           | 18%                                |

### Importance of Federal Partners

AGC would not have been able to increase its loan volume in 2006 without its federal partners, the Denali Commission and the USDA Rural Development program. The \$5,324,000 in grants from the Denali Commission over five years has provided a major portion of the capital needed to support rural lending.

The ability of AGC to originate loans guaranteed by USDA Rural Development program and by the Small Business Administration (SBA) 7 (a) programs allowed for a high volume of loans relative to AGC’s total capital. AGC was able to sell off the federally-guaranteed portions of loans and thus maintain the liquidity needed to increase loan volume. In 2006 AGC received USDA guarantees for \$11,271,750 in loans, and all were sold during the year. SBA also guaranteed \$29,347,300 loans for the year 2006, and all of the loans were sold during the year. The amount of loans sold represents the amount of private sector money that AGC was able to import from lower 48 companies into rural Alaska.

The quality of AGC’s relationships with the Denali Commission, SBA and with USDA continued to be a key factor in AGC’s success in 2006. In addition to providing capital and loan guarantees, these agencies provided numerous referrals and invaluable information and advice.

**Loan Quality**

Alaska Growth Capital has originated \$ 143,899,914 in loans since the inception of the company in 1997. During that entire time, loan losses have totaled \$65,666. This is an exceptionally low loss rate for a portfolio of primarily non-bankable loans. AGC attributes the low loss ratio to careful due diligence and to extensive technical assistance both before and after loans are booked.

**Equity investments**

AGC made no equity investments in 2006.

**Staffing**

Our staff currently includes the following:

- David Hoffman, CEO
- John Delano, Senior Loan Officer
- Patrick Williams, Loan Officer (Alaska Native)
- Benjamin Sumulong, Loan Officer
- Karen Horner, Controller
- Jeff Batton, Vice President, Corporate Development
- Hugh Short, Vice President of Consulting Services
- Teo Ransum, Loan Processor
- Sherry Selby, Processing Supervisor/Compliance Officer
- Jered Stewart, Client Services Associate (Alaska Native)
- Shelly Hutchison, Office Administrator
- Rebecca McMullen, Accounting Technician (Alaska Native)
- Amber Bowman, Loan Processor
- Lynda Muise, Loan Servicer

Twenty-one percent of the staff is Alaska Native.

**Technical Assistance**

Most members of AGC staff are involved in providing technical assistance to client businesses. In addition, AGC has a consulting services division with two full time staff members. This consulting assistance takes many forms, including Strategic Planning, Board Training, Business Planning, and Marketing/Business Development efforts. In addition, the consulting services staff has implemented a proactive technical assistance program that focuses on bringing assistance to residents of “distressed” locations. During 2006, this program delivered comprehensive training to entrepreneurs interested in developing e-commerce initiatives.

**Outreach to “Distressed” Communities**

The AGC outreach strategy is based primarily on building strong networks of personal contacts in distressed communities. Banks and various economic development organizations and agencies provide referrals, as do current [AGC](#) clients. In 2006, AGC relied on this mechanism to expand its loan volume and financing requests.

AGC also began to use the proactive technical assistance program mentioned above to spur awareness of its services throughout the state. Preliminary results show that this approach is effective and leverages the training effort into a mechanism for generating financing opportunities in AGC’s target market.

AGC staff continues to attend regional funding forums and economic development meetings as part of its strategy to reach out to distressed communities. This strategy not only offers good training for staff but also allows for the growth of the marketing network mentioned above.

## PERFORMANCE AGAINST ACCOUNTABILITY MEASURES

The statistics below show performance against two sets of metrics. One set of metrics is from grant #0016 and one from #0095. Grant #0095 increased the required performance level for three of the four metrics in grant #0016. It also added two new metrics. Measures 1, 2 and 4 listed below track performance against the combined thresholds from the two grants. The last measure relates to the new metric added by grant #0095.

**Measure 1:** *Total annual financing disbursements to businesses in communities defined as "distressed" by the Denali Commission. The "distressed" communities are listed in the Commission's issue paper of May 2001. (Agreement 0016 and Agreement 0095)*

Performance: **Outstanding - \$8,171,000 in disbursements.**  
This exceeded the minimum "Outstanding" benchmark by \$5,150,772.

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**Measure 2:** *Total annual financing disbursements to Alaskan - owned businesses in communities defined as "distressed" by the Denali Commission. (Agreement 0016 and Agreement 0095)*

Performance: **Outstanding - \$8,171,000 in disbursements.**  
This exceeded the minimum "Outstanding" benchmark by \$5,719,474.

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**Measure 3:** *The total annual payroll at all AGC - financed companies in distressed communities. (Agreement 0016)*

Performance: **Outstanding - \$27,130,166 in payroll.**  
This exceeded the minimum "Outstanding" benchmark by \$25,560,002.

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**Measure 4:** *Number of technical assistance engagements provided to businesses that operate in "distressed" communities. A "technical assistance engagement" is defined as a minimum of 8 hours of assistance provided by Alaska Growth Capital. These engagements will cover a broad range of topics, as defined by the needs of the business. (Agreement 0016 and Agreement 0095)*

Performance: **Outstanding - 60 technical assistance engagements.**  
This exceeded the minimum "Outstanding" benchmark by 2.

## Agreement 95

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**Measure 3:**     *The total increase in annual payroll at all companies in distressed communities having loans in the AGC portfolio.*  
                          *(Agreement 0095)*

Performance:     **Outstanding - \$5,116,216 increase in annual payroll.**  
                          This exceeded the minimum “Outstanding” benchmark by \$3,181,608.

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**Measure 4:**     *The total increase in annual revenues at all companies in distressed communities having loans in the AGC portfolio.*  
                          *(Agreement 0095)*

Performance:     **Outstanding - \$22,344,297 increase in revenues.**  
                          This exceeded the minimum “Outstanding” benchmark by \$20,029,677.

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**Appendix 1**  
**Detailed Information on Measures 1-2**

**FINANCING TO BUSINESSES IN DISTRESSED COMMUNITIES IN 2006**

| <b>Company Name</b>        | <b>Location</b>      | <b>Disbursed<br/>amounts</b> |
|----------------------------|----------------------|------------------------------|
| Airport Pizza              | Nome                 | \$596,000                    |
| Alaska's Anvik River Lodge | Anvik                | 400,000                      |
| Bald Mountain Air Service  | Homer                | 250,000                      |
| BC Contractors             | Egegik               | 2,000,000                    |
| Gate Creek Cabins          | Trapper Creek        | 465,000                      |
| Great Land Seafoods        | Chignik, Bristol Bay | 2,500,000                    |
| I-Land, LLC                | Anchor Point         | 215,000                      |
| Land's End Acquisition     | Seward               | 550,000                      |
| Nome Outfitters            | Nome                 | 185,000                      |
| North Start Gas            | Bethel               | 450,000                      |
| Selawik SBA                | Selwaik              | 360,000                      |
| Tiekel River Lodge         | Ketchikan            | 200,000                      |
| <b>2006 TOTAL</b>          |                      | <b>\$8,171,000</b>           |

**Appendix 2**  
**Detailed Information on Measure 3**

**Total Payroll at All Distressed Community Companies Financed Since 2001**

| <b>Company Name</b>                  | <b>Location</b>      | <b>Annual Payroll</b> |
|--------------------------------------|----------------------|-----------------------|
| <b>2006</b>                          |                      |                       |
| Airport Pizza                        | Nome                 | \$98,027.58           |
| Alaska Native Arts Foundation        | Rural AK             | \$299,833.95          |
| Alaska's Anvik River Lodge           | Anvik                | 145,691.14            |
| Bald Mountain Air Service            | Homer                | 166,714.63            |
| BC Contractors                       | Egegik               | 1,239,117.20          |
| Gate Creek Cabins                    | Trapper Creek        | 22,796.48             |
| Great Land Seafoods                  | Chignik, Bristol Bay | 465,543.36            |
| I-Land, LLC                          | Anchor Point         | 0                     |
| Land's End Acquisition               | Seward               | 1,321,647             |
| Nome Outfitters                      | Nome                 | 54,450                |
| North Star Gas                       | Bethel               | 512,661               |
| Selawik SBA                          | Selawik              | 226,937               |
| Tiekel River Lodge                   | Ketchikan            | 0                     |
|                                      |                      |                       |
| <b>2005</b>                          |                      |                       |
| AK Native Arts Foundation            | Rural AK             | \$326,226             |
| Bald Mountain Air Service            | Homer                | 171,354               |
| Unalakleet Native Corporation        | Unalakleet           | 450,071               |
| Tchaika Air Service                  | Gakona               | 0                     |
| King Island Native Community         | Nome                 | 0                     |
| Lighthouse Oysters                   | Halibut Cove         | 0                     |
| Selawik IRA Fuel Project             | Selawik              |                       |
| Frontier Flying Service              | Various rural        | 3,447,738             |
| <b>2004</b>                          |                      |                       |
| AK Native Arts Foundation            | Rural AK             | 225,625               |
| Arctic Transportation Services, Inc. | Nome                 | 2,692,139             |
| Azachorok, Inc.                      | Mt. Village          | 151,172               |
| Bering Air, Inc.                     | Nome                 | 9,089,376             |
| Michels Business Ventures, LLC       | Nome                 | 0                     |
| Nima Corporation                     | Mekoryuk             |                       |
| Tyonek Native Corporation            | Tyonek               |                       |
| Unalakleet Native Corporation        | Unalakleet           | 329,985               |
| <b>2003</b>                          |                      |                       |
| Arctic Transportation Services, Inc. | Bethel               | 3,062,172             |



|   |             |           |
|---|-------------|-----------|
| Cape Smythe Air Service                 | Nome        | 512,232   |
| Kateel Trucking                         | Nome        | 1,300     |
| Sweetsirs                               | Galena      | 17,589    |
| Unalakleet Native Corporation           | Unalakleet  | 299,543   |
| <b>2002</b>                             |             |           |
| Alaska Fisheries                        | Adak        | 723,531   |
| Asa' Carsarmiut Tribal Corp.            | Mt. Village | 214,865   |
| Country Store                           | Nome        | 161,761   |
| Arctic Transportation Services,<br>Inc. | Bethel      | 2,730,919 |
| <b>2001</b>                             |             |           |
| Ulmer Burgess                           | Homer       | 872,116   |
| E2R                                     | Bethel      |           |
| Subway of Bethel                        | Bethel      | 182,620   |
| Bettles Lodge                           | Bettles     | 81,053    |

**Appendix 3**  
**Detailed Information on Measure 4**

**CONSULTING SERVICES**

Alaska Growth Capital conducted technical assistance engagements for 22 minority clients. This consists of 7 Native owned organizations and 1 woman owned. The remainder of the engagements were clients within the target investment areas.

**QUALIFYING TECHNICAL ASSISTANCE ENGAGEMENTS**

**Minority and Native**  
**January 1 – December 31, 2006**

**Non-Fee Technical Assistance – New in 2006**

| <b>Client</b>                                     | <b>Date ended</b> | <b>Minority</b> |
|---|-------------------|-----------------|
| Alaska Marketplace                                | February          | Native          |
| Alaskan Gourmet Batter                            | March             |                 |
| Alaska Village Initiatives                        | February          | Native          |
| Multiple clients at Glenallen E-commerce workshop | February          | Native          |
| Amber Wilson                                      | April             | Native          |
| Auna Nenang                                       | April             | Native          |
| Carolyn Tomory                                    | April             |                 |
| Colleen Odden                                     | April             |                 |
| Jesse Gologergen                                  | April             |                 |
| Karen Jonathan                                    | April             |                 |
| Kimberly Segock                                   | April             | Native          |
| Lavina Wilson                                     | April             | Native          |
| Peggy Akeya                                       | April             | Native          |
| Ray Tomory  | April             |                 |
| Serena Lake                                       | April             |                 |
| Sherrie Amaktoolik                                | April             | Native          |
| Terence Naneng                                    | April             | Native          |
| Bald Mountain Air                                 | May               | Native          |
| Airport Pizza                                     | June              | Native          |
| Anvik River Lodge                                 | June              |                 |
| Greatland Seafood                                 | June              |                 |
| Ruby Marine                                       | June              |                 |

|                               |  |           |              |
|-------------------------------|--|-----------|--------------|
| Tiekel River Lodge            |  | June      |              |
| Arctic Transportation Systems |  | August    | Native       |
| Arxotica                      |  | August    | Native/Woman |
| First Alaskans                |  | August    | Native       |
| Nome Outfitters               |  | August    |              |
| Pacific Rim Media             |  | August    | Minority     |
| Selawik                       |  | August    | Native       |
| North Star Gas                |  | September |              |
| Deep Creek Custom Packing     |  | October   |              |
| Yukaana Corporation           |  | October   | Native       |
| Colleen Odden                 |  | November  |              |
| Dorothy Yaitlin               |  | November  |              |
| Edwin Noongwook               |  | November  | Native       |
| Warren Daniels                |  | November  |              |
| Diane Pootogooluk             |  | November  | Native       |
| Frank Ireland                 |  | November  |              |
| Nick Tom                      |  | November  |              |
| Amber Naneng                  |  | November  | Native       |
| William Naneng                |  | November  | Native       |